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## **Strategic Management at Universities in Merger Processes – Research Results**

### **Introduction**

Strategic management is becoming more and more important at universities in Poland. The university of the future will probably be based on strategies fully integrated with the university organization, formalized ones, with extensive analytical and IT tools that will allow to measure activities and make comparisons between universities. These strategies will include scientific, educational and implementation activities as well as organizational, market and financial ones. Management information systems enabling quick market and strategic analyses are already developing at universities. Management and administration of higher education institutions increasingly use new tools of controlling, process and project management that serve the decision-making process (Hladchenko 2015). In Poland, as the research results show, awareness of the importance and knowledge of the concepts and methods of strategic management in universities are quite limited (Popławski et al. 2016).

The aim of the article is to analyze the impact of strategic management on the management of public and private universities in Poland. The research methodology was based on quantitative research of selected public and private higher education institutions in Poland.

## Strategic management of universities

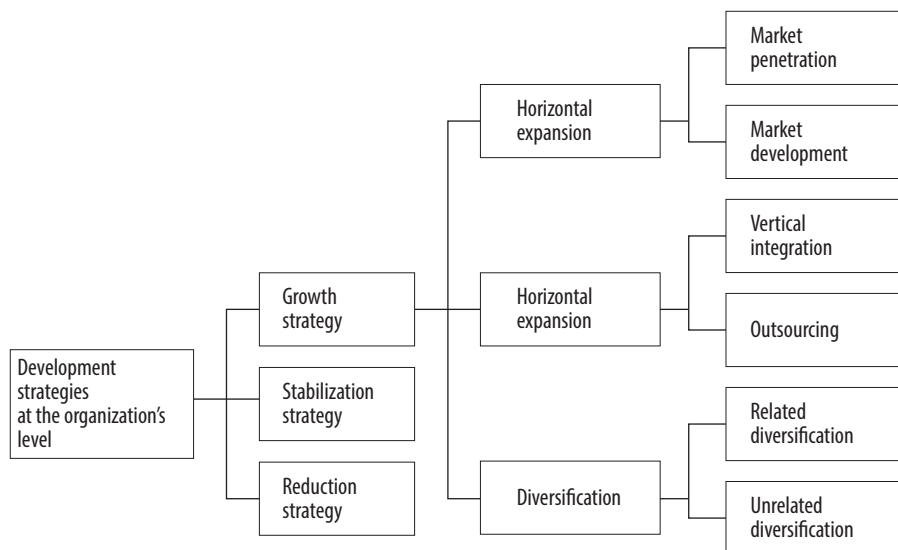
Strategic management plays a key role in consolidation processes (Pinheiro and Stensaker 2014). First of all, the consolidation decision itself should be preceded by a strategic analysis of the organization and the environment, which is the premise for the decision to merge. There should be consultations with various stakeholder groups and due diligence. In the case of a private university, making a merger decision is usually faster and simpler. In public universities, the decision-making process is usually complex and requires the participation of various stakeholder groups. Strategic objectives of the merger should be defined, which will be the basis for the preparation of the strategic plan (planning stage). The adoption of the strategic merger plan is connected with the transition to the process of strategic coordination of the merger (implementation stage). At this stage consists strategic management of drawing conclusions from due diligence and participation in negotiations and conclusion of contracts. Institutionalization of the merger – in the form of signing agreements and validating the decision on the consolidation of the entities – closes the implementation stage and constitutes the transition to the integration stage. Strategic management at the integration stage is related to: supervision over the correct course of the merger and implementation of the strategic plan, adjustments to the strategic plan, related to unforeseen situations, control of management and integration teams, strategic controlling of the merger process, coordination of central government operations, conflict resolution and organizational and public communication.

Strategic management consists in planning and implementing decisions regarding the allocation of the resources of the entity, aimed at: (1) implementing the strategic goals of the entity; (2) implementing the strategic plan; (3) increasing the adaptation of the entity's activities to the environment (Baugier and Vuillod 2003). Strategic management of a university, especially a public one, will serve the purpose of achieving goals that are determined by the type of organization and key stakeholders (Mokhuba and Govender 2016). In the case of private entities, the founding structure is the decisive factor in determining the strategic goals, while in the case of public universities – university managers, representatives of the staff and students along with political decision-makers.

The degree of autonomy in making strategic decisions depends on the type of university, its statute and structure of power. Undoubtedly, decisions on mergers, due to their importance and long time horizon of implementation, belong to the strategic level. Mergers should not be a strategic goal, but only a method of achieving it or, possibly, a tactical goal. Strategic goals are the long-term key achievements of the organization. The meaning of an organization's existence should be reflected in its mission. It should justify the importance of the entity from the point of view of its founders as well as the society, employees and other key stakeholders (Gierszewska 2000). The strategic goals and the mission of the

university are conditioned to a large extent by the type of organization that usually performs a scientific and educational mission and cooperates with the environment (the so-called “third mission”). The mission and strategic goals of a public university include the implementation of mainly non-commercial aspects of the activity, while non-public, and in particular private, profit-making universities pursue commercial goals (van der Wende 2014). According to the assumptions of the planning school, the strategy should be reflected in the strategic plan. The strategic plan includes: (1) strategic objectives (2) time perspective of the implementation of activities; (3) a sequence of steps leading to the achievement of objectives; (4) defining the resources necessary to achieve the objectives and the way they will be used (Rajzer 2001). In accordance with the assumptions of the evolutionary school of the strategy, the strategic plan should be open, multi-variant and not very detailed, so as to allow room for strategic opportunities to take place (Krupski 2014). Mergers and acquisitions are complex management processes that require a long-term implementation plan, consistent with the strategic plan for the development of the entire organization. In the case of a higher education institution, the implementation of the consolidation plan should lead to fulfillment of the mission and implementation of strategic goals related to the improvement of science, education or the implementation of the third mission. In fact, consolidation processes serve, among others, to strengthen the competitive advantage over other entities. It is especially important in the case of private universities that develop their competitive strategies to a greater extent. In public universities, there is a stronger cooperation orientation that combines competition and cooperation. Competitive advantage (distinguishing competence) is the definition of the area in which the organization is particularly strong and which distinguishes it from other operating entities. Strategic planning should be based on the use of the competitive advantage of a given entity (Baker 1995). The levels of the strategy created in the organization determine its range. The organization's strategy will apply to the university as a whole, while functional strategies relate to various aspects of the university's activities. Functional strategies may, therefore, apply to the financial, personnel, marketing and other functions (Mokoena 2015; Govender 2013; Kłeczek et al. 1997). At universities, complementary scientific, educational and implementation strategies and policies will be an additional function.

There are many classifications of organizational strategies in the literature on the subject. The most commonly used is the division into growth (development), stabilization and reduction strategies (Figure 1).



**Figure 1.** Classification of development strategies at the organization level

Source: Korpus 2014, p. 18.

## Characteristics of the university consolidation strategy

Strategic choices regarding sectoral consolidation relate to significant, long-term consequences of mergers and acquisitions. Universities or policy-makers make primarily strategic decisions regarding the need for a merger. There may be a situation in which cooperation between entities in the form of a strategic alliance will bring more benefits. The decision to conduct the merger should be supported by a deeper, credible study, which will indicate the added value of consolidation. It is only after a thorough analysis that strategic decisions regarding the target merger model can be made (Ripoll-Soler and de-Miguel-Molina 2014).

The result of the merger may be the creation of an entity with a federal or unitary structure (unification merger). Other steps depend on these decisions at the level of university strategy as well as functional strategies. It is possible to stay under the brand name of one of the merging universities or create a completely new brand. A new organizational structure can be created or the existing one can be only modified.

Strategic activities of private universities can be interpreted using the shareholder model. This means that the prerogatives of power are in the hands of managers and owners who oversee the organization's activities. Decision-making powers are delegated down the organizational structure, but strategic decisions remain in the hands of the general management. Private universities in various legal systems may

be able to exercise ownership rights or founding rights that bring them closer to the shareholder model, characteristic of business. Therefore, the university's strategy is created and accepted at the central level of the university, where the main decision-makers are university managers and supervisors. The participation of other groups, such as: staff, students and employees, is consultative and not decision-making. Public universities operate in accordance with the stakeholder model logic, in which power prerogatives are shared between representatives of various interest groups (Hawks 2015). More important internal stakeholders, exerting a strategic influence on the university, are: university management, scientific and didactic staff, students and university administration. The influence of internal stakeholders on decisions takes place through participation in collegiate bodies that supervise or co-decide, such as faculty councils, senates, and electoral sessions. In private universities, the influence of external stakeholders on strategic decisions is usually significant. In many legal systems, representatives of central or local government, representation of employers or alumni associations have a significant influence on the supervision of universities through participation in trust boards or similar supervisory bodies (e.g. board of trustees). This has significant consequences for the strategic management of public universities, for which the following will be characteristic: the interest of stakeholders to increase their influence, the formation of oligarchic interest groups, clash of different interests, conflicts and compromises between different interest groups, politicization of activities, hindering rational decision making (Drucker 1990; Hughes 2003).

Key differences in decision making in private and public sector organizations were analyzed by A. Frąckiewicz-Wronka and K. Szymaniec who followed P.C. Nutt (Table 1) (Frąckiewicz-Wronka and Szymaniec 2013).

The model differentiation between the shareholder and stakeholder approach can be used as the basis for the interpretation of strategic decisions regarding the merger of higher education institutions. In the case of private HEIs, this is the decision of the founders and managers, while in public universities it is a complex decision-making process, in which representatives of not only internal stakeholders but also external stakeholders usually take part. This is of course a certain simplification, as many deviations from this model can be found. In the Anglo-Saxon system, many private universities, above all the 'old ones', have decision-making bodies and mechanisms for the participation of interest groups in strategic decisions in the governance structure. Examples include the American board of trustees, board of directors, which represent external and internal stakeholders and make strategic decisions. The decision to consolidate the university is therefore made not only after consultation, but also with the participation of various interest groups.

On the other hand, centralistic systems dominated or still dominate in many national higher education systems, and central authority was the main decision maker on the merger. In the Republic of South Africa, China and even Norway, merger waves were implemented from above and by force (Chetty and Merrett 2014;

Table 1. Diversity of decision making in private and public sector organizations

Factors	Private sector	Public sector	Influence on strategic decision-making
		<b>Environmental</b>	
Market	Buyer behavior defines the market and effective organization activities.	The state power creates the market.	In public organizations, decision makers need to recognize the opinions of the government.
Cooperation vs. Competition	Competition between organizations offering a given service.	Expected cooperation between organizations providing a given service.	In public organizations, competition is turned into cooperation; the role of decision-makers is to suggest different solutions.
Data availability	Performance data and market data are usually available.	Performance data and market data are often limited.	In public organizations, the availability of performance data and market data is limited, which makes the analysis difficult.
Limitations	Autonomy and flexibility, limited only by law and the need for internal consensus.	Mandates and obligations limit autonomy and flexibility.	In public organizations, the need for consensus and pressure to understand mandates and obligations and embed them in the historical context is greater, while the scope of available choices is smaller.
Impact of politics	The influence of politics is indirect and internal.	The influence of politics results comes from a network of links between authorities and users.	In public organizations, more time is required to balance the needs of users with the requirements of the authorities, using negotiation tactics.
		<b>Transactional</b>	
Control	Can limit the development of ideas.	Cannot limit the development of ideas.	In public organizations, there is a growing need to open external participatory processes, it is difficult to keep the strategic decisions taken in secret.
Ownership	Ownership assigned to shareholders whose interests are interpreted using financial ratios.	Citizens behave like shareholders and impose their expectations on the activities of the organization..	In public organizations, there is a growing need to define public expectations regarding the manner of providing services, more people involved in the decision-making process.
		<b>Related to organizational processes</b>	
Objectives	Clear and agreed, the primacy of efficiency prevails.	Variable and complex, difficult to specify, conflict, the primacy of equality dominates.	In public organizations, clarity of the criteria is decreasing, more time is needed to make a decision, there is a need to take into account 'soft' criteria and those that will ensure equality in access to services.
Limitations of the authorities	Allocation of resources made by entities having the right to act.	Stakeholders who are beyond the control of the authorities influence the allocation of resources and the search for new ideas.	In public organizations, the need to bargain for resources is greater, decision-makers have less power to change the shape of the organization; the time to look for variants of this change is more limited.
Expectations about the results achieved	Clear and established in the long-term horizon, necessitate quick action.	Blurred and changeable with the change of authorities and political arrangements, discourage taking action.	In public organizations, the need for quick action decreases, which gives time to discover new ways of proceeding.

Source: Nutt 1999, pp. 305–349; Nutt 2005, pp. 289–318.

Karodia et al. 2015; Cai and Yang 2016; Kyvik and Stensaker 2013). In practice, this may mean an administrative model that limits the autonomy and entrepreneurship of universities, which may lead to lower efficiency of operations.

## Research results

The results of the research on the impact of strategic management on the management of public and private universities were based on quantitative research. The aim of the study was to analyze the impact of strategic management on the management of universities, including the consolidation processes.

The research was of a pilot nature, 5 closed questions were asked in the survey and additionally there were four sociodemographic questions. The results of the research are unrepresentative and can only be the beginning for further in-depth research in this area. 152 respondents from 5 public and 5 private universities in Poland were surveyed. The study was carried out in 2018-2019. 82 respondents from public universities and 70 respondents from private universities participated in the survey.

The results of the research will be presented in tabular form.

**Question 1.** To what extent should management methods, similar to those in enterprises, be applied at a public university?

	Public universities	Private universities
Very large	10%	30%
Quite large	16%	36%
Small	43%	23%
Very small	28%	4%
I do not have an opinion	4%	7%

Source: authors' own elaboration based on the research conducted in 2018-2019.

The study shows that 19% of respondents think that management methods similar to those in enterprises should be applied in a public universities to a very large extent (public universities – 10%, private universities – 30%). On the other hand, the answer 'quite large' was given by every fourth respondent, 34% respondents answered 'small' and 17% answered 'very small'.

**Question 2.** To what extent should management methods, similar to those in enterprises, be applied at a private university?

	Public universities	Private universities
Very large	7%	24%
Quite large	26%	36%
Small	35%	20%
Very small	27%	17%
I do not have an opinion	5%	3%

Source: authors' own elaboration based on the research conducted in 2018-2019.

In the second question 15% of respondents believe to a very large degree that private universities should apply management methods similar to those in enterprises (public universities – 7%, private universities – 24%). In turn, the answer ‘quite large’ was given by every third respondent, 28% of respondents answered – to a ‘small’ extent, and 22% – ‘very small’ (4% had no opinion).

**Question 3.** What is the importance of the following areas for effective strategic management of the university?

	Very large	Quite large	Small	Very small	I do not have an opinion	
University missions	15%	28%	29%	15%	13%	Public universities
	34%	27%	23%	16%	0%	Private universities
University strategies	29%	32%	16%	18%	5%	Public universities
	39%	34%	23%	3%	1%	Private universities
Strategic management process	6%	23%	44%	13%	13%	Public universities
	21%	43%	29%	7%	0%	Private universities
Stakeholders in university management	37%	46%	17%	0%	0%	Public universities
	34%	57%	9%	0%	0%	Private universities
Strategies for academic internationalization	34%	39%	27%	0%	0%	Public universities
	31%	39%	16%	1%	13%	Private universities
Strategies for the development of science	41%	50%	9%	0%	0%	Public universities
	39%	43%	19%	0%	0%	Private universities
HR management at universities	41%	45%	12%	1%	0%	Public universities
	37%	44%	14%	1%	3%	Private universities
Quality management	44%	50%	6%	0%	0%	Public universities
	41%	56%	3%	0%	0%	Private universities

Source: authors' own elaboration based on the research conducted in 2018-2019.



Question 3 concerned the indication of the importance of eight areas for effective strategic management of the university. According to the respondents the following ones are very important: quality management (public universities – 44%, private universities – 41%), science development strategies (public universities – 41%, private universities – 39%) and HR management in universities (public universities – 41%), private universities – 37%). Strategic management process (public universities – 44%, private universities – 29%), missions of universities (public universities – 29%, private universities – 23%) and academic internationalization strategies (public universities – 27%, private universities – 16%) have a small significance for effective strategic management of the university in the eyes of the respondents.

**Question 4.** What is the degree of flexibility of the university strategy compared to the strategies of enterprises?

	Public universities	Private universities
Very large	0%	6%
Quite large	9%	29%
Small	48%	39%
Very small	38%	27%
I do not have an opinion	6%	0%

Source: authors' own elaboration based on the research conducted in 2018-2019.

The analysis of the answers to the above question indicates a small (43% of respondents) or very small (33% of respondents) degree of flexibility of the university's strategy in comparison with the strategies of enterprises. A difference is visible in the responses of respondents from private universities, who recognize the flexibility of the university's strategy in comparison with the strategies of enterprises to a greater extent (very large – 6%, quite large – 29%).

**Question 5.** How often are Polish universities managed as professionally as enterprises?

	Public universities	Private universities
Very often	12%	11%
Quite often	16%	31%
Rarely	37%	26%
Very rarely	15%	21%
I do not have an opinion	21%	10%

Source: authors' own elaboration based on the research conducted in 2018-2019.

The survey shows that Polish universities are rarely managed as professionally as companies - every third respondent answered so. Only 12% of all respondents believe that Polish universities are very often managed as professionally as companies ('quite often' – 23%, 'very rarely' – 18%).

## Summary

The concept of strategic management in consolidation processes is gaining importance in the university sector in Poland, which is caused by the current change in the legal conditions for the functioning of universities in Poland. The aim of the pilot study was to analyze the impact of strategic management on the management of higher education institutions, including consolidation processes. According to the respondents quality management, development strategies, and HR management are very important at universities. However, the strategic management process, university missions and academic internationalization strategies are of little importance for effective strategic management of the university, according to the respondents. The above results indicate differences in the perception of strategic management by public and private universities, however they are not diametrical. They result from the specificity of managing public universities with long-standing traditions and extensive organizational structures, as well as the specificity of managing private universities, which in the era of changes in legal conditions must be more and more competitive in many areas.

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